FORM 10-Q

01802

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Q 35663

E 92-2244

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

RECD S.E.C.
MAR 5 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No.: 0-9081

CERTRON CORPORATION

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction of incorporation or organization)

Microfilmed by
Q-Data Corp., St. Petersburg, FL
Identification

1545 Sawtelle Boulevard, Los Angeles, CA 90025
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 914-0300

4929 Wilshire Blvd., #750, Los Angeles, CA 90010
Former name, former address and former fiscal year, if changed since last report.

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date:

3,128,306 shares of Common Stock, without par value as of January 31, 1992

BEST COPY AVAILABLE

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CERTRON CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
($ in Thousands)

ASSETS	January 31, 1992 (Unaudited)	October 31, 1991
CURRENT ASSETS:		
Cash	$ 77	$ 176
Accounts receivable, Net	2,637	2,637
Receivables - Other	112	
Inventories:		
Finished goods	1,914	2,724
Raw materials	176	397
Work in process	164	12
Total Inventories	2,254	3,133
Other Current Assets	126	198
TOTAL CURRENT ASSETS	5,206	6,144
EQUIPMENT AND LEASEHOLD IMPROVEMENTS:		
Machinery & Equipment	330	330
Dies & Molds	168	168
Furniture, Fixtures & Leasehold Improvements	172	172
	670	670
Less: Accumulated Depreciation & Amortization	(393)	(371)
Net Equipment and Leasehold Improvements	277	299
OTHER ASSETS	58	61
	$5,541	$6,504
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes Payable (Note B)	$ 630	$1,807
Trade Accounts Payable	31	16
Accrued Advertising	186	204
Accrued Insurance	83	47
Other Accrued Expenses	257	186
TOTAL CURRENT LIABILITIES	1,187	2,260
STOCKHOLDERS' EQUITY		
Common Stock, no par value; stated value $1 per share; authorized 10,000,000 shares; issued 3,128,000	3,128	3,128
Additional Paid-in Capital	1,824	1,824
Accumulated deficit since August 1, 1982	(598)	(708)
TOTAL STOCKHOLDERS' EQUITY	4,354	4,244
	$5,541	$6,504

See notes to condensed consolidated financial statements

CERTRON CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
($ in Thousands)

	For the Three Months Ended	
	January 31, 1992	January 31, 1991
NET SALES	$4,200	$4,082
COSTS & EXPENSES		
Cost of Products Sold	3,164	3,094
Selling, General and Administrative	884	963
Interest Expense	21	48
Depreciation & Amortization	22	24
Total Costs and Expenses	4,091	4,129
Earnings(Loss) Before Taxes and Extraordinary Item on Income	109	(47)
Taxes on Income	45	
Earnings (Loss) Before Extraordinary Items	64	(47)
Tax Benefit of Loss Carryforward	(45)	
Net Earnings (Loss)	$ 109	($ 47)
PER COMMON AND COMMON EQUIVALENT SHARES:		
Net Earnings (Loss)	$.03	($.02)
Weighted average number of common shares and common equivalent shares	3,128,000	3,128,000

See notes to condensed consolidated financial statements

CERTRON CORPORATION AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in Thousands)

	For the Three Months Ended	
	January 31, 1992 (Unaudited)	January 31, 199 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	$ 109	($ 47)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	22	24
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	(112)	778
(Increase) decrease in inventories	879	(507)
Decrease in other assets	75	138
Increase (decrease) in trade accounts payable	15	(221)
Increase (decrease) in accrued expenses	90	(479)
Total adjustments	969	(267)
Net cash provided by (used in) operating activities	1,078	(314)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	----	(17)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under line of credit agreement	685	2,054
Payments under line of credit agreement	(1,862)	(1,790)
Net cash (used in) provided by financing activities	(1,177)	264
NET DECREASE IN CASH AND CASH EQUIVALENTS	(99)	(67)
CASH AND CASH EQUIVALENTS, beginning of quarter	176	334
CASH AND CASH EQUIVALENTS, end of quarter	$ 77	$ 267
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -		
Cash paid during the quarter for:		
Interest	$ 21	$ 48

See notes to condensed consolidated financial statements

CERTRON CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended January 31, 1992

NOTES A - BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary to present fairly the financial position and results of operation for the periods presented. The only adjustments made were normal recurring adjustments.

The results for such three-months periods are not necessarily indicative of results for a full fiscal year. For the year ended October 31, 1991, the Company reported net sales of $17,689,000 and a net loss of $258,000.

NOTES B - NOTES PAYABLE

Indebtedness to the bank at January 31, 1992 consisted of:

Short-term note payable to bank, interest payable monthly at prime plus 1/2%	$630,000

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES

As demonstrated by the following chart, the Company's current ratio improved to 4.38 to 1 at January 31, 1992.

	Quarter Ended 01/31/92	Year Ended 10/31/91
Working capital	$4,019,000	$3,884,000
Current ratio	4.38 to 1	2.72 to 1

The Company's liquidity has been supplied by internally generated funds and short-term borrowings. During the fourth quarter of fiscal 1991, the Company renewed its line of credit with its bank. This line of credit totals $2,500,000 in the aggregate, with the allowable loan based on a formula of 80% of the Company's eligible accounts receivable plus 50% of finished goods in inventory or $750,000, whichever is less, as evidenced by outstanding letters of credit, less 100% of the letters of credit and banker's acceptances outstanding. Letters of credit plus bankers' acceptances outstanding at any time are not to exceed $500,000. At January 31, 1992, the Company had no material commitments for capital expenditures.

The following schedule sets forth the borrowing availability under the Company's short-term line of credit for the quarter ended January 31, 1992, and for the year ended October 31, 1991.

	Quarter Ended 01/31/92	Year Ended 10/31/91
Available loan	$2,282,000	$2,062,000
Outstanding loan balance	630,000	1,807,000
Borrowing availability	$1,652,000	$ 255,000

During the quarter ended January 31, 1992, the Company decreased its inventory by $879,000 from fiscal year ended October 31, 1991 in order to bring its sales/inventory ratio in line with normal levels. Inventory at January 31, 1992 was $2,254,000. Inventory at October 31, 1991 was $3,133,000. As a result of the decrease in inventory and improved profit, the outstanding loan balance decreased by $1,177,000, from $1,807,000 at October 31, 1991 to $630,000 at January 31, 1992. Accounts receivable remained the same for both periods. The Company's borrowing availability increased from $255,000 at year end to $1,652,000 as of January 31, 1992.

RESULTS OF OPERATIONS

First Quarter Fiscal 1992 Compared to First Quarter Fiscal 1991

During the first quarter of fiscal 1992, the Company had a net profit of $109,000, against a net loss of $47,000 in the first quarter of fiscal 1991. The increase in the earnings for the first quarter of fiscal 1992 against the first quarter of 1991 was primarily due to reduced overhead expenses of $108,000 and an increase in the gross profit margin of $48,000.

Sales were $4,200,000 for the quarter ended January 31, 1992 against sales of $4,082,000 for the quarter ended January 31, 1991. The increase was $118,000, or 2.9%. Contract Assembly sales increased by $200,672 over the first quarter of fiscal 1991, from $570,516 for the quarter ended January 31, 1992 to $771,188 for the quarter ended January 31, 1991. Magnetic media sales decreased by $83,000, from $3,511,000 for quarter ended January 31, 1991 to $3,428,000 for quarter ended January 31, 1992, primarily through the elimination of certain accessory lines connected with the computer cassette product line coupled with lower sales on the floppy disk program.

Gross margins increased by $48,000 for the quarter ended January 31, 1992 as compared to the quarter ended January 31, 1991. The primary reason for the increase is due to increased sales and product mix.

Interest expense decreased during the first quarter of fiscal 1992 compared to the same quarter in fiscal 1991 by $27,000 due to lower borrowings and the reduced cost of funds.

Selling, general and administrative expenses decreased by $79,000 (8.2%) during the first quarter of fiscal 1992 as compared to the first quarter of fiscal 1991 due primarily to reduced personnel expenses. In addition, bad debt reserves were $103,000 in the first quarter of fiscal 1992 against $63,000 in the first quarter of fiscal 1991.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K:

During the quarter ended January 31, 1992, no reports on Form 8-K were filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CERTRON CORPORATION

Date: March 2, 1992

Prudencio Lim
Controller
(Principal Accounting Officer)

Date: March 2, 1992

Marshall I. Kass
Chairman of the Board and
Chief Executive Officer